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Authority NND 969000
By CB Date 04/09/02



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Department of State
TELEGRAM

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RSC-01 PRS-01 SS-14 USIA-12 NSA-05 AID-20 MC-02 COM-08
E-11 TRSE-00 TRSY-11 IGA-02 RSE-01 /130 W
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TO SECSTATE WASHDC 5345
SECDEF
INFO CSAFI
DA
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COUNTRY TEAM MESSAGE

DEF FOR ISA, STATE FOR NEA/IRN, CSAFI FOR AFBMS, DA FOR
DCSLOG, CNO FOR OP-68, STRIKE FOR STRU7

SUBJECT: GOI REQUEST FOR FMS PURCHASE

SUMMARY: ON SHAH'S DIRECT INSTRUCTIONS, GOI RECENTLY
REAFFIRMED THAT IT WISHES ALL MAJOR MILITARY WEAPONS AND
SYSTEMS TO BE PROCURED THROUGH FMS PROCEDURES INCLUDING
POSSIBLE PROCUREMENT ACTION IN NEAR FUTURE FOR TOW
AND IMPROVED HAWK SYSTEMS AND F-5E AIRCRAFT. GOI HAS
FORMALLY REQUESTED THAT USG AGREE AS MATTER POLICY TO

ACCEPT PROCUREMENT OF MAJOR END ITEMS THROUGH FMS. COUNTRY
TEAM STRONGLY URGES THAT GOI REQUEST BE ACCEPTED AS
DEPENDABLE ASSURANCES TO GOI OF FMS AVAILABILITY WOULD:
(A) HE REMOVE UNCERTAINTIES AND MISUNDERSTANDINGS WHICH
IN PAST HAVE TROUBLED GOI DEALINGS WITH USG FIRMS; (B)
MATERIALLY ASSIST GOI DURING PERIOD OF DEVELOPMENT OF
ADEQUATE IN-HOUSE PROCUREMENT CAPABILITY; (C) PROOF
CONTINUED PURCHASES OF US EQUIPMENT OVER THIRD COUNTRY

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COMPETITION TO BENEFIT OF GOI AND USG ALIKE. END SUMMARY.

1. FOLLOWING IS VERBATIM REPEAT OF LETTER RECEIVED 7 AUG 71 FROM LTG TOUFANIAN, DEPUTY MINISTER OF WAR FOR ARMAMENTS, WHO WE UNDERSTAND WAS ACTING ON DIRECT INSTRUCTIONS OF SHAH.

QUOTE: DEAR GENERAL TWITCHELL,

1. THE PURPOSE OF THIS LETTER IS TO CONFIRM OUR PREVIOUS DISCUSSIONS WHEREIN I EXPLAINED THAT IT IS THE DESIRE OF THE GOVERNMENT OF IRAN TO PURCHASE ITS US DEFENSE SYSTEMS AND EQUIPMENT THROUGH FMS PROCEDURES.

2. THE FOREIGN PURCHASE AND ORDERS DEPARTMENT HAS ENGAGED IN DISCUSSIONS WITH US CONTRACTORS ON A NUMBER OF OCCASIONS. WE HAVE VIEWED THESE DISCUSSIONS AS A METHOD OF GATHERING INFORMATION. IN SOME INSTANCES, THESE DISCUSSIONS HAVE BEEN MISINTERPRETED AS NEGOTIATIONS BY US CONTRACTORS, WHICH HAVE LED TO MISUNDERSTANDINGS. IT IS OUR DESIRE TO AVOID MISUNDERSTANDINGS IN THE FUTURE.

3. ADDITIONALLY, THE PROCUREMENT CAPABILITY OF THE IIA, WHILE BEING INCREASED, HAS NOT FULLY DEVELOPED, AND EXPERIENCE IN NEGOTIATION OF COMPLEX SYSTEMS TO INCLUDE ALL IMPORTANT FEATURES SUCH AS SPARES, SUPPORT, TECHNICAL REQUIREMENTS, AND MAINTENANCE AND SUPPLY FACTORS IS STILL LIMITED. IT WILL BE SOME TIME BEFORE THE IIA FULLY POSSESSES THE NECESSARY ORGANIZATIONAL SKILLS TO NEGOTIATE COMPLEX PROCUREMENTS WITH ASSURANCE OF FAIR AND REASONABLE PRICES AND KNOWLEDGE THAT ALL EQUIPMENT SPECIFICATIONS AND SUPPORT REQUIREMENTS HAVE BEEN CONSIDERED.

4. AS A RESULT OF THE ABOVE, THE GOVERNMENT OF IRAN REQUESTS THAT PROCUREMENT FROM THE US OF ALL MAJOR WEAPONS/DEFENSE SYSTEMS, MAJOR EQUIPMENTS, AND RELATED CONTRACTOR SUPPORT SERVICES BE EFFECTED THROUGH FMS PROCEDURES. IF THE GOVERNMENT OF IRAN COULD BE ASSURED THAT THE US GOVERNMENT WOULD AS A MATTER OF POLICY ACCEPT SUCH REQUESTS TO CONTRACT VIA FMS, IT WOULD BE OF GREAT VALUE TO US IN PLANNING EQUIPMENT

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ACQUISITION AND IN DEALING WITH US FIRMS. IN THIS REGARD THREE SYSTEMS ARE BEING CONSIDERED FOR PROCUREMENT AT THIS TIME: TOW MISSILE, IMPROVED HAWK AND F-5E AIRCRAFT. REPRESENTATIVES OF THE RESPECTIVE FIRMS HAVE BEEN INFORMED OF OUR DESIRES TO UTILIZE FMS PROCEDURES IN THE EVENT WE PURCHASE THESE WEAPONS SYSTEMS. YOU WILL BE ADVISED OF OUR INTENT TO PURCHASE AS SOON AS THE REQUIREMENTS ARE FIRM. I WILL NOTIFY YOU OF OTHER SYSTEMS/EQUIPMENTS TO BE PROCURED AS SOON AS THEY ARE IDENTIFIED.

5. PLEASE ADVISE ME OF YOUR GOVERNMENT'S POSITION IN THIS MATTER.
SIGNED: LTG H. TOUFANIAN. UNQUOTE.

2. IRANIANS ARE TAKING ACTIONS TO DEVELOP EFFECTIVE PROCUREMENT ORGANIZATION INCLUDING REORGANIZATION OF THEIR CENTRAL PROCUREMENT ACTIVITY AND AUGMENTATION OF SKILLED PERSONNEL. IT WILL BE SOME TIME, HOWEVER, BEFORE GOI HAS THE EXPERIENCE AND CAPABILITY TO DEAL ADEQUATELY WITH MAJOR AND COMPLEX CONTRACTS OF THIS KIND. GOI HAS ATTEMPTED SOME MAJOR DIRECT PROCUREMENTS FROM US FIRMS WHICH IT BELIEVES TURNED OUT TO BE UNSATISFACTORY BECAUSE OF ITS LACK OF EXPERTISE. THESE EXPERIENCES HAVE IN SOME CASES LEFT A RESIDUE OF FEELING THAT IS NOT HELPFUL TO AMERICAN CONTRACTORS. BECAUSE OF POLICY RESTRICTIONS ON US ADVISOR INVOLVEMENT IN DIRECT DISCUSSIONS BETWEEN GOI AND US FIRMS, WE HAVE NOT BEEN ABLE TO GIVE ADEQUATE ADVICE IN DIRECT NEGOTIATIONS. ALTHOUGH THE SHAH LOOKS TO ARMISH/MAAG FOR PRECISELY THIS KIND OF ADVICE. IN VIEW OF PAST EXPERIENCE AND AVOWED LACK OF EXPERTISE, SHAH FEELS THAT FOR THE PRESENT AT LEAST, USG PROCUREMENT ORGANIZATION AND EXPERTISE OFFERS ONLY RELIABLE ASSURANCE OF QUALITY ITEMS AT FAIR PRICES IN PURCHASES FROM US.

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R 110801Z AUG 71
FM AMEMBASSY TEHRAN
TO SECSTATE WASHDC 5346
SECDEF
INFO CSAF
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3. AVAILABILITY OF FMS PURCHASE PROCEDURES WILL STRONGLY SUPPORT CONTINUED PURCHASES BY GOI OF US MILITARY EQUIPMENT IN LIEU OF THIRD COUNTRY. WE HAVE BEEN SO INFORMED BY GOI OFFICIALS AND HAVE SEEN SPECIFIC CASES OF GOI CONTRACTING WITH THIRD COUNTRY SOURCES ONCE FMS ROUTE HAS BEEN TURNED DOWN. CONTINUED US SUPPLY OF IRANIAN ARMED FORCES AND MINIMIZATION OF THIRD COUNTRY INFLUENCE WILL HAVE IMPORTANT BENEFITS BOTH FOR COMBAT EFFECTIVENESS OF IIA AND FURTHERENCE OF US INTERESTS. FMS AUTHORIZATION FOR GOI PURCHASES WOULD BE AN IMPORTANT AID IN SUPPORT OF THESE GOALS.

4. COUNTRY TEAM STRONGLY RECOMMENDS THAT GOI BE PERMITTED TO PURCHASE MAJOR WEAPONS/DEFENSE SYSTEMS THROUGH FMS AS MATTER OF POLICY, THEREBY AVOIDING CASE BY CASE DETERMINATIONS WHICH HAVE OFTEN PROVED SENSITIVE AND LENGTHY. ONE ROUTE WHICH APPEARS PARTICULARLY PROMISING AND TO WHICH WE STRONGLY RECOMMEND CONSIDERATION BE GIVEN IS GOVERNMENT AGREEMENT SUCH AS WE UNDERSTAND EXISTS BETWEEN THE USG AND FRG, WHICH WOULD STIPULATE GOI DESIRES WITH REGARD TO FMS PURCHASE PER QUOTED LETTER AND UBG WILLINGNESS TO ACCEPT FMS REQUESTS. GP-3.
MACARTHUR

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